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General and Revenue Secretariat.

Serial Nos. 1

Part B for September 1926

SUBJECT

Policy of Govt in regard to Dismch Board Railways

To The Presdts of Dl. Boards
" Dy Commrs of Dts
" Agent & Secy, Mysore Rys
& the Heads of Depts

G.O no L 844-900 B 9 9. 1926

Lays down the policy to be adopted in the Construction of Railways in the State

NOTE ON DISTRICT BOARD RAILWAYS AND THE IMPOSITION OF RAILWAY CESS.

The railway cess was introduced into the Mysore State after considering a note on the subject which had been submitted by me from the Chitaldrug District as Deputy Commissioner. This note had been printed and circulated to members of the Economic Conference and Representative Assembly. A typed copy of this note obtained from the Chitaldrug District is herewith put up. No printed copy is available. The date of this note is not mentioned in the copy but it is prior to September 1911 as the matter is referred to in Sir M. Visvesvaraya's 'then Mr.Visvesvaraya) Memorandum on Railways in Mysore. This Memorandum led to the issue of Government Order of 13th November 1911 which defined future railway policy. The Bill to introduce Railway Cess was carried in the Legislative Council on 15th September 1913 and received the assent of His Highness the Maharaja on 19th May 1914. (Regulation V of 1914) The maximum cess that is leviable under Regulation V of 1914 is six pies in the rupee

Railway cess is being levied in all the Districts except Bangalore and Hassan. It is being levied in the several Districts from the dates and at the rates mentioned below:-

District.	Rate of railway cess.	Year from which levied.
K o l a r, ...	6 pies,	1914-15
T u m k u r, ...	3 "	1915-16
Chitaldrug, ...	6 "	1915-16
Shimoga, ...	3 "	1916-17
K a d u r, ...	6 "	1916-17
M y s o r e, ...	3 "	1917-18

3 The following is a brief note for each railway separately:-

(i) Kolar District Railway, runs from Bowringpet to Chikballapur. Construction was commenced in 1912-13 and the line was open for traffice on the following dates:-

(a) Bowringpet to Kolar,	15th December 1923
(b) Kolar to Chintamani,	6th March 1916
(c) Chintamani to Chikballapur	6th November 1916

Total capital expenditure on this railway to the end of 1923-24 is Rs.25,24,000 of which the cost debitable to District Fund is Rs. 12,62,000. Government have guaranteed 4 per cent interest on a

District Board Debenture Loan of Rs.4,48,400. The balance of cost deb table to the District Board has been met from the proceeds of a railway cess at 6 pies in the rupee, from interest on investments and by overdrawals from Government and from the Board's own funds.

(ii) Chitaldrug-Chikjajur. Construction was commenced in January 1918. The line was opened for traffic on 6th May 1921. As the District Board failed to raise sufficient money to pay up their share of the cost the railwav was ordered in 1921-22 to be treated as a State line.

(iii) Shimoga-Arasalu Work was commenced in January 1919 but was temporarily stopped in 1920-21. The resumption of work is under contemplation and the matter is in correspondence between the Shimoga District Board and the Government.

(iv) Mysore-Chamarajnagar. Work was started in November 1919 and was temporarily stopped in 1920-21. The resumption of work is being resumed as a District Board concern, the cost being met equally by the District Board and the Government.

(v) Kadur-Chikmagalur. The Kadur District Board are anxious to tak up the construction of the line. The cost is estimated at Rs.29,09,95 The Board are willing to pay a moiety. The file has been referred to the Railway Secretary.

(vi) Bangalore-Hosur. The District Board have been addressed to finance the scheme. Their final reply is awaited.

(vii) Tumkur-Sira railway. Nothing beyond surveying the line seems to have been done.

The Government of India in their resolution No.2131-F dated the 19th February 1925 have arrived at the conclusion that it is inadvisable to continue the system of encouraging District Board railway Among the disadvantages of such lines the following are mentioned

(1) The Branch line interest is usually a fifth wheel to the coach;

(2) Where thebranch is worked by the main line there is likely to b friction as regards the cost of management, etc.

(3) The capital raised will have to be at a higher rate of interest than for a State line.

(4) There is considerable difficulty in accounting the profits earned by the various bits of lines in such a manner as to satisfy all the claims on strictly equitable account principles while there remain all the disadvantages of having diverse interests in a line that is really continuous

5 The correspondence between the President of the Mysore District Board and the Agent in which the former wants information about all kinds of construction details is an instance in point. (Council file)

6 The system had been encouraged in the past as the Government of India had not sufficient funds for all expansion that was needed. But as it has not been found to be working satisfactorily it is proposed to abandon it and also to purchase as far as possible lines that have already been constructed.

The Government of India think that "the difficulties and complications now experienced in connection with these branch line companies are out of all proportion to the insignificant financial facilities offered by the companies". It is proposed on the other hand that a District Board should guarantee interest on unremunerative lines that may be started and administered at the instance of the District Board. "It is proposed that in future the Railway Board in such circumstances should have power to arrange for the construction of the line from railway funds which the local authority guarantees the Railway Board against loss. The guarantee would be to the effect that the local authority would make up the difference between the net earnings and the interest and other charges payable It is also proposed that where contributions have been made by a local authority for this purpose the repayment of such contributions should be a first charge on any net profits subsequently realised from the line, should the line prove remunerative.

8 The important question for consideration is whether a similar policy should not now be adopted in Mysore also. As Mysore is a compact State where the interests of the District Boards and of Government are identical, as it is unlikely that any District Board in Mysore could make a profit out of any lines that may be constructed,

(unlike Madras District Boards), as the leading members of the District Boards are themselves members of our constitutional assemblies from which place they could influence Government policy and as there is no likelihood whatever of a private company being given preference, the grounds for abandoning the system of having District Board railways in Mysore appear to be even stronger than in British India. There are no conflicting interests as between Government and a District Board or between a District Board and a Private Company.

9) It is therefore suggested that Government may come to the conclusion that District Board railways need not hereafter be constructed and that the railway cess should be utilised solely for guaranteeing against losses on lines that may be constructed by Govt at the request of a District Board.

10) It has perhaps to be mentioned in this connection that some important and useful points that had been made in the note of 1911 appear ~~xxx~~ to have been lost sight of subsequently. These are

(i) that the advantage of constructing a railway by means of cess should always be compared relatively to raising money for education or the improvement of irrigation;

(ii) that in order that the burden on the people of a railway that is non-paying should not be excessive, the cess should not be more than 3 pies in the rupee and the extent of the railway to be constructed should be strictly limited to what could be guaranteed by means of a cess of 3 pies;

(iii) that no railway should be constructed which is not estimated to pay a return of at least two per cent from the beginning;

(iv) that no railway should be constructed that is not likely to have a definite objective as a part of a general system of interlinking and through communication to the outside;

(v) that the cess should be levied not indefinitely, but only at the time when a railway is taken up for construction.

11) These principles appear to be sound and the discontent regarding the scheme that undoubtedly exists appears to be due to sufficient weight not having been given to them.

12) The time has arrived for reconsidering the whole position and changing policy. The following proposals are submitted for consideration:-

(a) The District Boards may now be given the option of ceasing to levy cess in those Districts in which it is not at present proposed

to take up any railway construction. This step may be taken even apart from passing orders on the other proposals made in this note.

(b) The District Boards may also be given the liberty by legislation of utilising the funds that they have already collected for rural development, especially in education.

(c) The Mysore-Chamarajnagar line may be constructed as a Government concern, the Board guaranteeing against loss as mentioned below. It will be easy to do this as the final terms have not yet been agreed to.

(d) The Kolar-Chikballapur line could be bought up outright on favourable terms and the Board excused from the railway cess. The formula mentioned in clause 13 of the Agreement regarding purchase after 30 years may be adopted, No additional payment from the District Board being however demanded.

(e) The Bangalore-Chikballapur line might also possibly be purchased now on favourable terms but on this point I have no definite information. This step is very desirable in order to have a continuous Government line from Kolar to Hosur.

(f) District Board railways in Madras are a paying asset to the Boards. This is not the case in Mysore, and is not likely to be; and the only help that need be demanded from District Boards hereafter is that they should guarantee Government against loss in running unremunerative lines that they wish to be constructed. I would suggest a guarantee of interest at 5 per cent by the Board concerned for a period of 25 years; the nett profits on the line after construction, fixed on a simple pro rata basis being credited to the Board for the period of guarantee

(2) The decision of the questions raised in this note will be awaited for disposing of the following matters:-

(i) Shimoga-Arasalu railway. The Council resolution is that the Board might be asked whether it would levy a cess of one anna, but as it is only six pies that could be levied legally this proposal has not been sent on. After the principles on which a railway construction by Government would be taken up and the maximum guarantee

against loss that could be demanded from a District Board are decided the Board will be written to.

(ii) Bangalore-Hosur line. If the principles suggested above are accepted the Bangalore District Board will be informed accordingly.

(iii) ~~Bangal~~ Kadur-Chikmagalur line. As above.

(iv) Mysore-Chamarajnagar line. The Board may be informed early of the proposed change in policy and whether they would be agreeable merely to guarantee against loss without setting apart any sum as a Sinking Fund. It is manifestly advantageous that this main line which is proposed to be continued to Erode should be under the control of Government and not of the District Board. The correspondence of the President claiming authority over details of construction also leads to the conclusion that there would be want of harmoney under the present system.

(v) Kolar-Chikballapur line. The District Conference has passed a resolution that Government may buy up the District Board s interest in the line. The President has also written to the same effect Negotiations may be opened with the Board as suggested above. It is open to the contracting parties to come to any settlement

(1) The system of Construction of Railways by Companies or District Boards has not proved successful in the State and our experience in this respect is, therefore the same as that in British India. But the system we have adopted is free from some of the defects existing in British India e.g we have no multiplicity of working agencies and we have not also agreed to work any of these lines for a definite share of gross earnings saddling the parent line with the rest of the loss. Inspite of this difference in our favour the position created by the existence of a number of proprietory interests in the lines in the State is an undesirable

some means of meeting the losses involved in the payment of debt service charges and also perhaps, in that of on working the lines. There is absolutely no margin in our administration finance to permit of our bearing these losses. In fact, we have already enough of losses of this character crippling the administration.

Borrowing has been made for us needlessly onerous because, the Government of India persistently refuse to recognise our securities under the Imperial Bank of India Act. We have asked that Government to allow us the alternative of borrowing from the Provincial Loans Fund and I do not know whether even this request will be turned down

The difficulty of providing capital has, therefore, first to be solved. As we have no surplus of current revenues for meeting losses on constructing and working new unremunorative railway lines, we have to request the District Boards to meet such losses, and, these Boards have to rely upon their Cess revenues for satisfying this demand. When the Boards are called upon to provide for losses, I do not know whether they will agree to forego the right of proprietor-ship in the lines, the losses on which they are require to bear.

I am not sure in the circumstances stated above, if any definite change of policy now is called for. It would be well to decide each

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each case on its own merits. This procedure is, no doubt not very satisfactory as it will create a number of cases differing in details and essential But, I do not see how a new plan can be adopted before we are in a position to put down the money ~~req~~ to carry it out

I shall now express my views on the particular proposals made by the Second Member

not think we can at once decide which Districts can have new lines of railway communication and which not.

(b) I think it is undesirable to divert the Railway Cess Funds for other purposes. Cess Funds will be required in one form or other for increasing railway mileage in the State and it is not advisabl to use up otherwise the sums laboriously built up so far

(c) As I have stated above I think the Mysore District Board is unlikely to agree to give up its Proprietorship in this line.

The Kolar District Board wants to sell its interest in this line on "conditions advantageous" to itself and not on "terms favourable" to Governmen If we should purchase the interest of the Board in the line we shall have to find a sum of about Rs 12½ lakhs for payment to the Board. This is an additional Capital demand when our Capital resources are already strained. Subject to ... The transaction has an adverse affect even on our Revenue Account The

The Board bears the loss on a capital of about Rs 8 lakhs which is its contribution apart from the Debenture Loan of Rs 4½ lakhs the interest on which alone is guaranteed by Government. On purchase by Government would result in the transfer of this loss also to their account. The Board has met the bulk of its capital contributions from Cess Funds and if it sells its line to Government now, I do not know what it can do with the large amount of the sale proceeds.

(e) I am not sure if the B.C.L. Railway will agree to part with its interest in this line and if it does, on what terms. In any case, purchase means provision of cash and an additional capital demand. To be met by Govt.

(f) This ~~has been~~ is the plan adopted in the case of the Manjungud-Chamarajnagar Railway. I do not quite follow what is meant by "a guarantee of interest at 5 per cent by the Board concerned for a period of 25 years." If a Railway is to be constructed from the capital funds of Government and at the request of a District Board, the guarantee to be offered by the latter is in respect of the entire loss consisting of that on working and that involved in payment of interest on capital. Whether the intention of the proposed limitation to 5 per cent is that the excess, if any, over the interest charge of 5 per cent and the entire loss on working should be borne

borne by Government is not clear If such however is the intention, it would mean that we shall have to find ~~the~~ money from General Revenues for meeting such losses.

Mirlees
7.10.25

To run these lines will be no loss to
Govt for 25 years as it may be
made clear in the agreements
that profits will be payable to
the Board only after the
date of interest Govt
borrowed capital is repaid.
It is unlikely that any line
will pay 6% from 1½ to 2% p.a
for the beginning of a
line Board wants such a
line the date of guaranteed
interest may be 6% p.a
instead of 5% p.a

~~Offg.~~ Second Member's note on "District Board Railways and imposition of Railway Cess"

OPINION OF THE COUNCIL.

Urgent

30

Reference should be elicited as regard the construction which by Govt was buried in rank Dr Hopes connected with the original proposals, was referred to the undertaken - the Govt each District Who respectively framed year in which it was buried any hopes to be held out by persons in Provincial offices for such contribution

3/5(2)

NOTE ON DISTRICT BOARD RAILWAYS PROPOSED OR CONSTRUCTED AND LEVY OF CESS BY DISTRICT BOARDS

Bangalore District

Levy of Railway Cess For financing the Bangalore-Hosur Railway estimated to cost about Rs 13 lakhs the District Board of Bangalore has agreed to raise a loan, and it has at a special meeting held on the 14th February 1925 agreed to levy for a period of 5 years a Railway Cess at 3 pies in the rupee.

An annual income of Rs. 42,000 may be expected by the levy The Board has been informed that the question may await the issue of orders on the General Railway Policy, (Please see L.B. File No. 109-23)

KOLAR DISTRICT.

The District Board of Kolar undertook to finance a narrow gauge line from Bowringpet to Kolar at an estimated cost of Rs. 4,07,523 and it was permitted to raise a debenture loan of Rs. 4 lakhs at 4 per cent interest on the Government guarantee in Government Order No. 7656-8/L.B.42-11-10 dated the 18th April 1912. Out of the total amount of the loan of Rs. 3,90 300 collected up to the end of 1912-13 the Board invested pending the construction of the line a sum of Rs. 2,90,318 in the Government of India 3½ per cent securities. The Board subsequently having agreed to the extension of the Railway up to Chickballapur via Chintamani and undertaking to contribute one half of the cost of entire line from Bowringpet to Chickballapur (the other half being contributed by the Government), it was permitted in Government Order No 10643-5 L.B.199-13, dated the 22nd April 1914 to raise another loan of Rs. 4 lakhs.

In order to form a sinking fund for repayment of the loan amount and to meet the interest thereon the Board applied for sanction to the levy of a Railway Cess at 6 pies in the rupee, and sanction was accorded to the levy from 1st July 1914 in Government Order No. 3738 40/L.B.99-11-2, dated the 9th November 1914, on condition that the amount should be utilised solely on the construction of tramways and railroads.

In consequence of the large depreciation in the value of the Government of India Securities the Board came not dispose of the securities but was permitted temporarily to overdraw on the

Government Treasury in order to pay their contribu tion towards the cost of the Railway

Up to the end of the year 1923-24 the Railway Cess levied amounted to Rs. 7.09 lakhs and the loan collections to Rs. 4.63 lakhs, the contribu tion towards the capital cost being nearly Rs.12.8 lakhs. The over-draft on the Government Treasury at the end of the year 1923-24 was Rs. 1.7 lakhs. The annual income from the Railway Cess is about Rs. .7 lakhs and the Board will require 2 to 3 years to pay off the over-draft. The net income is still incommensurate with the large outlay incurred on the line The District Board is not however put to any expenditure on account of interest payable to the debenture holders as the annual guaranteed interest is paid to the District Board by the Government. The sense of the meeting of the District Conference held on the 26th April 1925 was in favour of negotiating for the transfer of the proprietorship of the Board on the Railway to Government on suitable advantageous conditions.

TUMKUR DISTRICT.

Levy of Cess and purpose of levy.- The Tumkur District Board at its meeting held on the 16th February 1915 resolved to open a District Board Railway from Tumkur to Sira via Bellavi and to levy Railway Cess at 3 pies in the rupee. Though the project was not ready it was considered that there was no objection to the levy of the Cess as proposed by the Board as it would lead to the formation of a fund from which arrangements might be made to finance the line proposed by the Board or any other line that might be ultimately decided upon. The levy of the cess at 3 pies in the rupee was therefore sanctioned from 1st July 1915 in Government Order No. 8894-9/L.B.209-14-3, dated the 13th May 1915.

Proposals for deferring the levy. In view of the suspension of Railway activities in the State the Government consulted (vide Revenue Secretary's circular letter No. L.3278-83/L.B.60-22-10, dated the 31st October 1922) the District Boards about the advisibility of deferring the cess until such time as Government were again able to resume their Railway construction programme. The Tumkur District Board at ~~their~~ its meeting on the 24th February 1923 resolved to defer the levy of the cess but after further consideration of the matter, the Government decided that the levy should continue as Railway projects which ~~will~~ would benefit both the Tumkur and Chitaldrug Districts ~~are~~ were under consideration and that the views of Government would be communicated in due course (vide Local and Legislative Secretary's letter No. L.7753-4/L.B.60-22 34 dated the 29th March 1924

Recent proposals.- The Tumkur District Board

has ~~requested~~ urged that Government may favourably consi der the request of the Sira Taluk Board that a District Board Railway might be opened first from Sira in consideration of the Town being a big mar· ket place and the difficulty experienced for im- ports and exports of goods. The President has been requested to furnish detailed information re garding gauge, finances and other particulrs. Vide Local and Legislative Secretary's letter to the President No. 8414/L.B.120-24-2, dated the 23rd May 1925).

Finance.- The annual income from the levy o the cess is about Rs. 36,000 and the amount at the credit of the Railway Cess Fund of this District i about Rs. 3.35 lakhs.

MYSORE DISTRICT.

Original proposals.- In G.O. No. 224-30/Ry.F.124-11-12, dated the 13th November 1911, the Government decided that the construction of the Nanjangud-Chamarajnagar Railway be under taken by the State Agency The Mysore District Board when consulted by the Financial Secretary about the opening of a Railway (33 miles in length within the Mysore State ~~Munici-pality~~ limits & estimated to cost Rs. 12 lakhs) from Hampapur via Mirle, Saligram and Ramanathpur to Coorg boundary considered that the proposed line did not touch important places and ~~agreed~~ to collect about Rs. 6 lakhs locally if the line were taken via Hunsur and Periapatna. The opening of a line from Mysore Via T. Narsipur to Santhemarahalli was also proposed but the line was not investigated (vide paras 37 and 38 of the Mysore District Report for 1914-15)

Levy of Railway Cess.- In connection with the subject of local capital for financing new Railway lines discussed at the Deputy Commissioners' meeting on 27th June 1915, the District Board of Mysore among other District Boards was requested to intimate its views in the matter of the levy of a Railway Cess and the formation of a fund to guarantee interest on loans raised therefor. The Board resolved on 12th November 1915 that it was in favour of levying a Railway Cess of 3 pies in the rupee. After consulting the Railway Department, the District Board was informed in Revenue Secretary's letter No. 2132-4/L.B.32-15-13, dated the 29th September 1916 that the following lines were included in the trienniel Railway programme and it was requested to take necessary

steps for the levy of the Railway Cess:-

Line.	Gauge.	Cost.
1. Mysore-Kakankote Tramway.	3' - 0	Rs. 7 lakhs
2. Nanjangud-Chamarajnagar.	3' - 3 3/8	Rs.12½ "
3. Mysore to Coorg via Saligram.	3' - 3 3/8	Rs.15 "

On the 18th May 1917 the District Board finally resolved to levy a Railway Cess at 3 pies in the rupee from 1st July 1917 and the levy was sanctioned in G.O. No. 7929-30/L.B.32-15 31, dated the 15th June 1917

Line finally sanctioned. The construction of the Nanjangud-Chamarajnagar Railway was at first undertaken as a State line but in March 1921 the work was ordered to be stopped till the financial situation improved In April 1923 the construction of the Railway for a length of 22.12 miles as a light feeder line at a cost of Rs. 12 lakhs was sanctioned if the District Board were to raise a debenture loan and provide for interest and sinking fund charges out of their resources including the Railway Cess. The District Board agreed to raise a loan of Rs. 8 lakhs and the loan was successfully raised under a Government guarantee. The Board has collected a sum of Rs. 6 lakhs towards the loan and including the accumulated cess which amounts to Rs. 4 lakhs, it has about Rs. 10 lakhs for expenditure on the line The resumption of construction of the line was sanctioned in G.O. No. R.A.1635-43/Ry.F.169-24-25, dated the 26th February 1925,

7) HASSAN DISTRICT.

While sanctioning the Railway programme of 1911, Government in their Order No. 224-30/Ry.F 124-11-12, dated the 13th November 1911 directed that the Kadur-Chikmaglur-Hassan Railway be constructed by the District Boards concerned and that arrangements be made for the survey of the line

When addressed in connection with the question of local capital for financing new Railway Lines discussed at the Deputy Commissioners' meeting held on the 27th June 1915, the Hassan District Board resolved on the 20th September 1915 that it recognised the desirability of levying Railway Cess and it was prepared to levy the Cess while the necessity therefor arose in connection with any proposed lines in the District (vide L.B. 32-15 Serial 12)

Thereupon the Hassan District Board was informed in Revenue Secretary's letter No. 2132-4/ L.B.32-15-13, dated the 25th September 1916 that the Chikmaglur-Belur-Hassan Railway was included in the trienniel Railway programme for construction in the District and the Board was requested to take necessary steps for the levy of the Railway Cess.

The District Board considered the matter on 18th December 1916 when opinion was divided as to whether it was advisable to construct the line Via Belur or via Saklespur and Mudgere and it requested the Government to intimate the cost of the latter line On 17th February 1917 the Board agreed to the levy of a Railway Cess of 6 pies in the rupee, but the Government considered

that levy of the cess could not be sanctioned with out getting the opinion of the Board regarding the line to be undertaken On further enquiry as to whether the Board would leave the question of the Railway line from Chikmaglur to Hassan via Belur for the decision of Government, the Board resolved that ~~they~~ it would be in a position to give an opinion after the question of a sea-port was finally settled. (Vide K.B 32-15-33)

In these circumstances no Railway Cess is levied in the District.

SHIMOGA DISTRICT.

Original project approved by Government

In G.O. No. 309-13/Ry.F.164-14-15, dated the 12th August 1914, the Government approved of the construction of a narrow gauge line of railway from Shimoga to Aiyanur and Riponpet with a branch towards Sagar Via Ananthapur and another to Tirthahalli via Humchadakatte, the line being so aligned as to pass as near Kumsi as may be feasible. The line was estimated to cost Rs. 28 lakhs Government agreed to contribute Rs. 18 lakhs towards the capital cost the balance being raised by the District Board and Government guaranteeing the payment of the interest on the capital raised by the Board at 4 per cent per annum.

Action taken to finance Railways in the District.- Necessary steps were taken by the Board to raise the loan ~~and~~ the total amount collected being Rs. 3.7 lakhs. In connection with the discussions at the Deputy Commissioners meeting on the 17th June 1915 on the subject of capital for new Railways, the Board was subsequently addressed to intimate its views in the matter of the levy of a Railway Cess and the formation of a fund to guarantee interest on loans raised and it ~~after consideration for sanction~~ agreed to the levy of a Railway Cess at 3 pies in the rupee. The levy was sanctioned from the year 1916-17 in G.O No 4321-3/L.B.32-15-21 dated the 10th January 1917 The total amount of cess at the credit of the Board at the end of 1924-25 ~~was~~ is expected to be about Rs. 2.8 lakh The annual income from cess is about Rs. .3 lakhs

Subsequent changes in the project etc.- In 1917 Government decided to open a Metre Gauge - - State Line from Shimoga to Arasalu and wanted to utilise the loan raised by the District Board for

the Arasalu-Tirthahalli or other feeder lines of the State Line. On the protest of the Debenture holders however, the loan was utilised for the main line itself, Government guaranteeing 5 per cent interest with proportionate share of profits when net earnings exceeded 5 per cent. Subsequent ly the construction was stopped for paucity of funds. The subscribers having pressed for the return of the loan amount or in the alternative for its investment in the 7 per cent State Loan, the question of the resumption of construction ~~up to~~ ~~Kumsi or to Ranibennur~~ is under consideration on the following conditions:-

stated to be more remunerative and is estimated to cost Rs 17.5 lakhs. The District Board will have to contribute in all about Rs. 8.7 lakhs and it has already Rs. 2.8 lakhs from Railway Cess in addition to Rs. 3.7 lakhs from the loan collections. If another 2¼ lakhs are collected, and the Board agrees to raise the rate of Railway Cess to one anna, the construction will have to be resumed The total loan will be about Rs. 6 lakhs and the interest at 5 per cent ~~payable~~ will be Rs. .3 lakhs The Railway Cess at one anna in the rupee is likely to yield Rs. 1.2 lakhs.

KADUR DISTRICT.

Railway originally proposed.- While sanctioning the Railway programme Government in their Order No. 224-30/Ry.F.124-11-12, dated the 13th November 1911 directed that the Kadur-Chickmaglur-Hassan Railway be constructed by the District Board and that arrangements be made for the survey among others of this line also The District Board was also requested to submit proposals in the matter of financing the line.

Action taken to finance Railways.- In connection with the question of local capital for financing new Railway lines discussed at the Deputy Commissioners' meeting on the 27th June 1915, the Board was further addressed in regard to the levy of a Railway Cess and the formation of a fund to guarantee interest on Loans raised therefor, As all the Taluk Boards in the District except that of Chikmaglur were not in favour of the levy of the cess if only the line from Kadur to Chikmaglur was to be constructed, the District Board at ~~their~~ its meeting on the 28th September 1915 considered the matter and thought that if provision is also made for a line from Chikmaglur to Mudgere and on to Saklespur and a tramway from Narasimharajpur to Koppa and on to Sringeri, the levy of the cess ~~may~~ might be equitable and would not be objected to, and that if all these lines were to be constructed a cess at one anna in the rupee ~~may~~ would have to be levied after consulting the Taluk Boards. Subsequently the raising of the maximum rate of cess from 6 pies to one anna not having been approved the District Board agreed to levy a

cess at half an anna in the rupee from 1916-17 for financing the (1) Kadur-Chikmaglur line (2) Narasimharajapura-Sringeri line via Koppa and (3) Tadasa-Hebbe Railway. The levy was sanctioned in G.O. No. 4324-5/L.B.32-15-22, dated the 10th January 1917

Proposed action to raise a loan Subsequently Government in their Order No 8410 3/L.B.32-15-22(a) dated the 29th June 1917 directed that only lines Nos. 1 and 2 above be financed locally by the District Board on the usual terms. On 10th July 1917 the District Board resolved that a tramway line from Birur to Chikmaglur be constructed and the tramway be extended from Narasimharajpura to Sringeri and that it be authorised to raise a loan locally at 5 per cent on the Government guarantee No further progress was possible in the matter pending final decision in re the most convenient route for connecting Chikmaglur with the Railway under the several schemes under investigation (vide C.B53-17) Even when asked to consider the advisibility of deferring the levy of the Railway Cess in view of the suspension of the Railway activities in the State the District Board on the 25th November 1922 was unanimously of opinion that the levy of the cess in order to have the Railway communication to Chikmaglur at the earliest possible opportunity (L.B.60-22 Sl.16

Proposals under consideration.- The District Board has now urged that the construction of the Kadur-Chikmaglur line be sanctioned and that the Government should make a grant of half the cost of the line, the other

half being found by the District Board The maximum cost of the line (metre gauge) with rolling stock is estimated at Rs 22 lakhs and the same is expected to yield only about 1% of the capital to be invested.

Resources available. If the Government contributes half the capital ~~xxxx~~ does not ~~guarantee~~ loan the interest on the loan to be raised, the District Board share will be Rs 11 lakhs, of which about Rs 4 lakhs have been already collected from the Cess A loan of Rs 7 lakhs will have to be raised At 7 per cent, the interest charges will be Rs. 49,000 The annual income from Railway Cess is about Rs. 56,000 and will be ~~just~~ sufficient to meet the interest charges. The income from the line is estimated at about Rs. 20,000 and the District Board share will be Rs 10,000 which can be invested when the line is open and begins to yield.

CHITALDRUG DISTRICT.

In connection with the question of connecting Chitaldrug Town with a Railway, the District Board of Chitaldrug agreed to bear a substantial share of the capital cost and recurring charges and also resolved at its meeting held on 16th April 1915 that a Railway Cess be levied and that till the Railways are constructed in the District the proceeds of the Cess be invested. The Government in their Order No 10498-503/L.B.236-14-2, dated the 22nd June 1915 sanctioned the levy of the Railway Cess in the District at 6 pies in the rupee from the year 1915-16. ~~The~~ onstruction of the line from Chitaldrug to Chickjajur was approved by the Government the cost of th scheme was originally estimated at Rs. 10½ lakhs. ~~and subsequently it went up to Rs 12 lakhs.~~ For finaning the scheme, the Board was also authorised in Government Order No. 732-4/L.B.37-15-6, dated the 22nd July 1916 to raise a debenture loan of Rs. 9 lakhs a 5 per cent on the Government guarantee. The loan no having been quickly subscribed for, the Government a the request of the District Board first agreed to - contribute one-half of the cost of the scheme but i view of the paltry collection of only Rs. 1.47 lakhs against Rs. 2.95 lakhs subscribed, and the ~~di~~ inability of the District Board to make up ~~their~~ its contribution of one-half of the cost of the line which subsequently rose to Rs 17 lakhs, it was directed in Government Order No. R.S.498-503/Ry.F.889-21-22, dated the 12th August 1921 that the loan already collected by the District Board be utilised towards the construction of the Chikjajur-Chitaldrug Railway wit a 5 per cent guarantee and share of profits and that as ~~the~~ no further subscriptions were expected from th District Board, the Railway be treated as a Government and not as a District Board line Under Gov-

ernment Order No. L.3714-37/L.B.99-23-2, dated the 17th/20th November 1923 the loan continues as a District Board Loan and managed by the District Board and the interest paid by the District Board is reimbursed to it.

Hopes held out.- In view of the suspention of Railway activities in the State, the District Boards having been in Revenue Secretary's Circular letter No. L.3278-78-83/L.B.60-22-10, dated the 31st October 1922 consulted regarding the advisibility of deferring the Railway Cess until such time as the Government were again able to resume their Railway construction programme the District Board resolved ~~24th March 1923~~ that the levy of the Cess be deferred. The Chitaldrug District Board as also the Tumkur District Board ~~were~~ however informed in Local and Legislative Secretary's letter No L.7753-4/L.B.60-22-34, dated the 29th March 1924 that the Government ~~are~~ considering Railway projects which benefit both the Tumkur and Chitaldrug Districts and that the orders of Government be communicated to the District Boards in due course and that in these circumstances the proposal to defer the levy of Railway Cess ~~cannot~~ be sanctioned. A scheme to benefit both the Tumkur and Chitaldrug Districts has therefore to be sanctioned.

Liabilities and resources.- The line already constructed from Chitaldrug to Chickjajur having been treated as a Government Railway and the loan ~~utilised~~ having been spent for the line, the District Board has no liability in the matter of the loan and the responsibility for discharging the principal and ~~interest~~ payment of interest to the debenture holders lies on Government.

The annual income from Railway Cess in the Dist ict at present is about Rs. 50,000. The total amoun of Railway Cess on 1st July 1925 is expected to amoun o about Rs. 4.6 lakhs.

has been no connection between the levy of railway cess and the construction of a particular line, and the railway cess has been levied either to provide funds and meet costs in respect of lines already undertaken as in the Kolar and Chitaldrug Districts, with a view to provide funds for railway lines to be constructed in future in two districts where railway cess is now levied viz Tumkur & Kadur no new railway lines have been constructed while in the Chitaldrug Dt the Chitaldrug-Chitradurga line is treated as a feet railway and the Dt Board very little for the small cess of Rs 1-4-7 besides the interest on what has been paid by Govt

43 In the Shimoga & Hagare Dt. lines on gauge & steep railway lines are proposed to be connected with the Dt Board by utilising cess raised & the and the

made for the purpose as would keep within
the rest of the new Car a part large
enough to benefit from the line there
is no objection in principle however there
if the keeping of a Car over a district as
wide though the line may serve only
a part thereof was even 15 more pounds
in anticipation provided there is a likelihood
of the line being taken up within a reasonable
period

48. The survey seems has not
quite made out the point
urged. [illegible] They note
of 1913 was based on all
the material then available
in the Secretary's office.
& the rule then clearly
for India was to levy cess
when any particular line
was definitely proposed to be
constructed & no
definite railways
conclusion & I think as the Commission

Extract from the Proceedings of the.....Meeting of the Council of His Highness the Maharaja held at Bangalore on the.....19th November 1925

SUBJECT:- Clause XII of the Schedule.

Second Member's Note on District Board Railways and imposition of Railway Cess.

OPINION OF THE COUNCIL.

The Railway Cess may be suspended with effect from 1st July 1926 in the districts in which railway cess is now collected and where there are no proposals under consideration for the construction of railway lines This rule will apply to Tumkur and Chitaldrug Distri

The general policy of railway cess may be revised with referenc to the recent orders of the Government of India regarding the respor sibility of local bodies for guaranteeing against loss for new line undertaken at the instance of local bodies

Sd Banerji

Dewan.

The proposal is to suspend the levy of railway cess from the next year in districts "where there are no proposals under consideration for the construction of railway lines" I do not know what is exactly the object of this suspension. If the view held is that there is no need for railway lines in these districts the suspension of the levy should certainly be the logical consequence of such view. I feel however, doubtful if this is the view really taken If on the other hand the need for creating railway facilities in these districts exists. I do not understand how the suspension can be justified.

54 If the cess levied in any district ~~x~~ has no resulted in the construction of a railway line not think it is the fault of the system. T h amount found from this source is, in some cases too small to serve the purpose of covering loss and this is the main reason why the object of levy has not been realised in some cases The rate of levy and its annual yield both being sma the process of increasing railway transport facilities in districts with the help of the special railway cess has necessarily been slow. But every year the prospect of taking up ~~some~~ new lines is being brought nearer under the existin arrangement; ~~but~~ if the levy is suspended all hopes of constructing new lines of railway will have to be given up for a long period.

The floatation of railway loans by Distri

The proposal is to suspend the levy of railway cess from the next year in districts "where there are no proposals under consideration for the construction of railway lines" I do not know what is exactly the object of this suspension. If the view held is that there is no need for railway lines in these districts, the suspension of the levy or rather its final abandonment should certainly be the logical consequence of such view. I feel however, doubtful if this is the view really taken. If, on the other hand, the need for creating railway facilities in these districts exists. I do not understand how the suspension can be justified.

54 If the cess levied in any district ~~x~~ has no resulted in the construction of a railway line not think it is the fault of the system The amount found from this source is, in some cases too small to serve the purpose of covering losse and this is the main reason why the object of t levy has not been realised in some cases The rate of levy and its annual yield both being sma the process of increasing railway transport facilities in districts with the help of the special railway cess has necessarily been slow. But every year the prospect of taking up ~~some~~ ne lines is being brought nearer under the existin arrangement; ~~but~~ if however, the levy is suspended all hopes of constructing new lines of railway wil have to be given up for a long period.

Boards and the multiplication of prorietory interests in railway lines are. no doubt undesirable features of Railway Policy and they need not be permitted in the future The cess revenue of a District Board need not be used for acquiring a capital interest in a railway lines but there can be no objection to using such revenue for covering losses and making it possible to undertake unremunerative lines The objection of the Government of India as stated in their Resolution on February 1925 to the Association of District Boards in railway concerns is on the following grounds:-

All the railway lines required in districts come under the category of unremunerative lines contemplated in para 16 of the Government of Indi Resolution of February 1925 and the system of local authorities guaranteeing Government against loss in the working of these lines is definitely provided for in this para

> Local Boards have no general revenue surpluses to meet such losses and if they should shoulder this responsibility, they can only do so from a special cess levy

There is, ~~of course~~ no doubt, the alternative of Govern ment themselves bearing such losses but they ha not now, and will not have for ~~many~~ some years, the financial ability to do so.

The suspension of railway cess in Tumkur and Chitaldrug Districts is bound to invite pro posals for a similar suspension in other distr If the Chitaldrug District can get its railway from Chitaldrug to Chikjajur constructed a n worked at Government cost and also be excused from paying railway cess, how can the request of other districts to be freed from this levy, be considered unreasonable ? The aim should, I think, be to improve the railway communication of all districts as far as possible and not afford this help only to some and make the pro pect of the others getting it indefinite

agree to the proposed suspension of the railway cess. It will be very difficult to reimpose a cess once suspended The sacrifice involved by the present levy is being borne and some sacrifice either by the rate payers of the Districts or by tax-payers of the State is a necessity for getting the advantage of better communications by means of railways which cannot pay their way We are slowly resuming our railway construction activ and we should not permit a set-back to it by suspending railway cess. On the other hand, what is required is the active investigation of ways and means for a continuous programme of railway construction and the opening up of tracts which bad ly stand in need of railway transport facilities

1. The administrative relationship of the Central Govt with local bodies — which is what is involved in the Question — is not, in my opinion a financial matter at all.

2. As this Secretariat has already manifestly quite made out the position, the Railway Con was never intended for accumulating Capital for railway Construction in the future but for Guarantee[d] allowance & Sinking fund — for railways proposed to be Constructed. Vide my original

3. The Chittagong Railway was taken over by Govt in the guarantee also as a When Govt had plenty of funds Requests made by other Govts the similar Secretariat need Consideration when a similar financial Question arises. Such cases are quite different from the two Districts in which there is no prospect of railways being Constructed

We

65 I fully agree with this view recorded by the Secretary Member

The Railway Conference was not intended for the accumulation of capital by undertaking the construction of Railways in any district but to anticipate future wants & means of meeting payments now & that interest on

Policy of Government in regard to District Board Railways and the levy of Railway Cess.

* * * *

OPINION OF THE COUNCIL

To be resubmitted with a D SN
A
3/12/45

A revised D-SN
to be submitted in accordance with the views expressed
Dewan in Council
B
S 2/12/45

Submitted to His Highness.

In view of the fact that there has been no definite policy adopted in the past as regards the liability of District Boards to provide finances for Branch lines and there is considerable divergence in the terms upon which these lines have been constructed in the various districts, the question of laying down a definite policy on this subject has been engaging the attention of Government for some time. Some of the District Boards, such as the Kolar District Board, are pressing for a revision of terms and in some districts, railway cess is levied though there is no immediate prospect of any lines being undertaken in these districts. The question was therefore examined in detail at several meetings of the Council and I propose to deal in this note only with the main issues.

99-14-2 dated the 9th November 1914 The total amount recover-
ed as Railway Cess in the Kolar District so far is Rs. 8 lakhs
and this amount has now been solely utilized towards the Board
share of the Capital cost of the Railway and of the open line
since the line was opened to traffic. The guaranteeing of
interest for the Railway Debenture loan raised by the Board fo
meeting a part of the cost of construction is furnished by
Government out of the general revenues The cess collections
are not at all touched for this purpose

accumulated surplus from the Railway Cess to meet a part of the capital cost of the construction of the line and utilise the annual Railway Cess as a guarantee against loss in working the Kadur-Chikmagalur line after construction for a period of 25 years.

Chitaldrug District. Six pies in the rupee as sanctioned in Government Order No. 10498-503/L.B.236-14-2 dated the 22nd June 1915. One of the objects of the Cess was that it should serve as a source for meeting interest and sinking fund charges on the loan to be raised for the Chikjajur-Chitaldrug line and recouping working expenses if there was a loss the District Board, however, was only able to raise a small part of the loan of about 1.47 lakhs, it was directed in Government Order No. R.S 498-503/Ry.F.889-21-22 dated th 12th August 1921 that the loan already collected by the District Board be utilised towards the construction of the Chikjajur-Chitaldrug Railway with a 5 per cent guarantee and share of profits and that no further subscriptions were expected from the District Board the Railway being treated as Government and not as a District Board line. Under Government Order No. L. 3714-37/L.B.99-23-2 dated the 17/20th November 1923, the loan is treated as a District Board Loan managed by the District Board but the interest paid by the District Board is reimbursed to it The annual income from the Railway Cess in the District is at present about Rs.50,000 and the total amount of Railway Cess on 1st July 1925 is expected to amount to about Rs. 4.6 lakhs

Tumkur District. Railway Cess has been levied at the rate of 3 pies in the rupee from 1st July 1915 as sanctioned in Government Order No. 8894-9/L.B. 209-14-3 dated the 13th May 1915. The Railway Cess was levied primarily for the purpose of opening a District Board Railway from Tumkur to Sira via Bellavi, as resolved by the District Board at their meeting held on the 16th February 1915. But it has not been pos-

possible to undertake this line. The annual income from the levy of the cess in Tumkur District comes to Rs. 36,000 and the amount at the credit of the Railway Cess Fund is about 3.35 lakhs..

Bangalore District. No railway cess has been levied so far. The District Board has submitted proposals for the levy of a Railway Cess at the rate of three pies in the rupee for a period of three years in order to provide against losses of the Bangalore-Hosur line. But they have been informed that the question of the levy of the Railway Cess may await the issue of orders on the general railway policy

No railway cess is levied in the Hassan District.

his Note dated the 5th August 1925 and has given ~~as~~ his opinion that as the existing system of having District Board lines is very anomalous, it should be done away with and the policy recently laid down by the Government of India in their Resolution No. 2131-F.dated 19th February 1925, viz that the local bodies should not be allowed to construct any rail way lines nor given any proprietory right thereon, but that they should be merely asked to guarantee against loss and interest charges, in case the line is likely to prove unremunerative, be adopted in future. He points out that the utilization of the Railway Cess has been diverted entirely from its original purposes and it should not be levied without reference to some specific line.

He also suggests that no railway line should be undertaken in future that is not likely to pay at least 2 per cent on the capital invested from the commencement.

accumulated surplus and future collections to be used in paying interest and sinking fund charges. In the Kadur District, similarly, there is a definite proposal to utilise the Railway Cess to lessen the burden of Government by undertaking the Kadur-Chikmagalur line. Also in the Shimoga District, it is proposed to take advantage of the cess to complete the extension of the railway from Shimoga to the heart of the Malnad. Thus, in these districts where railway cess has been levied for a long time, there is likely to be some definite connection between the railway cess and railway development in the district.

In the Chitaldrug and Tumkur Districts, however, at present, though a railway cess is levied, the Railway cess is not utilised for the purpose of any railway line actually working or under construction, and there is no possibility in the near future of any such extensions being undertaken though surveys have been conducted and the Government have provided, out of its own funds, the whole cost of the Chitaldrug-Chikjajur line.

In view of the suspension of the railway activities in the State and the absence of any likelihood of any new rail way lines being undertaken in these districts, the Tumkur and Chitaldrug District Boards have urged the desirability of suspending the further levy of railway cess. A representation was made to me during my tour in 1922 by the Chitaldrug District Board in their Address and a reference is solicited to pages of the tour notes giving my reply on the point. Any further railway extensions in the Tumkur and Chitaldrug Districts will have to be taken as a conjoint

a line will serve. But owing to its cost there is no likelihood of our being able to provide funds for these lines for several years to come unless the District Boards themselves are authorised to borrow. The question now is whether we should continue levying the cess until a sufficiently large fund is built up to enable Government to proceed with the schemes as a satisfactory financial proposition with the aid of the fund accumulated and public loans raised by District Boards and the future collections, or postpone the levy of the cess to some future time when the State has sufficient resources to undertake these projects

The accumulated surplus from the collection of the Railway Cess in these districts amounts respectively to Rs. 3.35 lakns in the Tumkur District, and 4.6 lakhs in the Chitaldurg District. The distance between Tumkur and Sira <u>via</u> Bellavi is about 40 miles and this line alone is likely to cost more than Rs. 40 lakhs. The distance between Sira and Chitaldrug <u>via</u> Marikanave will be about 60 miles and the cost of this line may come to another 60 lakhs The entire line is therefore likely to cost nearly a crore of rupees. The accumulated railway cess in both these districts not likely to cover even 1/12th of the cost. The Railway Cess is now levied at the rate of 3 pies per rupee in the Chitaldrug District and 6 pies in the rupee in the Tumkur District and the total collections which amount to Rs 86,000 in both the Districts will not cover the guarantee of even one per cent. on the total amount of the loan to be required for the construction of the lines

important one -- of developing the Marikanave tract with a view to attract settlers and make the Vani Vilas Sagara project a financial success.

The position therefore briefly is this. The Kolar District Board has agreed to levy a cess and to continue its being used to make up its deficiency in the share of the capital cost to be contributed by it and provide the guarantee against loss of interest if any to be paid on the loans to be raised for completing the line. In the Mysore District also, there is a definite agreement in regard to the utilisation of the Railway Cess for the Nanjangud-Chamarajanagar section. Similarly, further railway extensions in the Kadur, Shimoga and Bangalore Districts are contingent on the railway cess being available to guarantee against possible loss from the proposed lines The Chitaldrug District levys a railway cess, but as Government have provided the entire cost of the Chitaldrug-Chikjajur line, they have got the advantage of the railway connection without the railway cess paid by them being utilised in any way towards this line, while it is accumulated for their benefit and available for use for other lines to be taken up. In the Tumkur District, there is no proposal immediately for any railway extension.

undertake the liability to guarantee against losses in the case of lines taken up at their instance according to the policy now laid down without straining their resources when Government is able to find funds for proceeding with such lines.

8) Having taken all these circumstances into consideration, the Council resolved as follows at their meeting dated the 19 26th November 1925:-

> "The Railway Cess may be suspended with effect from 1st July 1926 in the districts in which railway cess is now collected and where there are no proposals under consideration for the construction of railway lines This rule will apply to Tumkur and Chitaldrug Districts.
>
> "The general policy of railway cess may be revised with reference to the recent orders of the Government of India regarding the responsibility of local bodies for guaranteeing against loss for new lines undertaken at the instance of local bodies"

The Financial Secretary has, on the Council resolution being referred to him, noted that in his opinion it is not desirable to suspend the levy of the railway cess even if there is no prospect of any railway extensions being undertaken in the districts concerned as it is not finally decided to drop all further railway extensions in these districts and it is necessary that some sacrifices should be made by the ratepayers in order to promote the development of a well-connected scheme of railway extension even though they may not derive any direct benefit immediately by contributing to the cess. He also thinks that the suspension of the railway cess in the Tumkur and Chitaldrug districts may lead to demands for similar suspensions in other districts. He therefore suggests that the railway cess should continue to be levied so that it may be available to reduce the liability for loss that Government will undertake by sanctioning new extensions and Government be able to carry on a continuous programme of railway construction and open up tracts which badly stand in need of railway transport facilities.

the two districts where there is no prospect at sent of railways being constructed'

The First Member adds:--

fully agree with the views recorded by the Second Member.

"The Railway Cess was not intended for the accumulation of capital to undertake the construction of railways in any district in the indefinite future. It was meant to meet the payment towards capital and interest in respect of railway work actually taken up in any district, or proposed to be taken up in the near future and it will be unfair and unjust to District Board to recover the cess in any district wherein there is no near prospect of taking up any railway construction work.

"To insist on the continuance of the levy of the cess by the District Boards against their wishes and when there is no need or justification for it, will be to take undue advantage of the Government control over the Boards."

The matter was again informally considered in Council, the Financial Secretary being present.

The Members of Council are of opinion that as the Railway Cess is levied at the instance of District Boards, there is no justification in continuing it when there is no immediate prospect of the cess being utilised for any immediate railway construction; for instance, in the Tumkur District, where though the railway cess has been levied since 1915, beyond surveying the line, no further action has been taken and our present financial position is such that we can hold out no hopes of taking up the line in the immediate future.

As regards these views, I have to say that a reference to the regulation itself shows that railway cess was not provided for in the Regulation with the object of securing any guarantees but solely for the purpose of finding money for the construction of railways and tramways (see Section 20). There is no doubt, much force in the general objection urged by the Members in regard to the manner in which cess has been levied in the past and our railway poli

policy as a whole. Some districts have derived greater, others less benefit from the scheme. The new policy inaugurated by the Government of India implies that if a line is unremunerative, the local body requiring the same should make itself responsible to show ways and means to meet the losses. Conditions in Mysore are materially different from those in British India as regards railway development. In British India, a large number of the railway lines are worked by private companies and though the present policy is to take them under Government management, there is always a sharp division and conflict between local interests and the interests of the main lines In Mysore, the railways belong to Government and though the assistance of the local bodies is taken so as to get some contribution from local resources to meet contingent losses by means of a railway cess or otherwise, the whole chain of railways has to be created as one system and the object of developing a net work of railways in the State is purely and chiefly an administrative principle and local interests have only to be considered as supplementing the system of net-work and the original idea was that this supplementing should be by branch lines of lesser guage, 2 ft. 6 in. and 2 ft and tramways which do not cost much. In my opinion, the principle of treating the railway cess as a liability undertaken merely for a specific line requires reconsideration in view of our special conditions. It cannot be denied that the further economic development of the State will be greatly stimulated by opening new railways. The chances of Government being able to provide all the funds required for these lines are not great, the more so as the bulk of new lines are scarcely likely to yield even 2 per cent on the capital invested at least for a decade after they are started after meeting working expenses. It

is very necessary therefore that the principle of local bodies taxing themselves to relieve Government of the burden of a part of the capital required for the construction of unremunerative lines which are of great importance to the people of a particular district should be emphasised and if the State gives the capital or half of it and allows the District Boards to borrow, the cess may be handy to guarantee interest which should not fall on the general taxpayer. As section 24 (1.a) of the District Board Regulation now stands, there is no imperative objection to connect the railway cess with a specific line nor to make this a condition precedent and there is no need to import any such interpretation into it now to relieve local bodies from the payment of cess they have willingly paid so far and which when utilised will be entirely to their benefi
There are, however, no doubt, numerous anomalies in the existing methods of utilising the railway cess and there are considerable irregularities in treatment. The remedy for this seems to me to consist not in the abolition or suspension of the railway cess, but the change of our whole railway policy emphasising the liability of local bodies to help Government in their general railway policy by some form of local taxation. The second part of the resolution of the Council may, therefore, be graciously approved.

87 As regards the suspension of the railway cess, I have already pointed out that the Chitaldrug District has realised the objects of the cess as it has got the Chitaldrug Chikjajur extension though it has been absolved from its liability towards the line by Government providing the entire cost excepting the small loan, even the interest on which is provided by Government, and they can have no serious objection to the cess being continued in as much as it will tend to accelerate the chances of new lines being unde

undertaken sooner or later in these districts. Government are not using up the money for railway expansion elsewhere In regard to the Tumkur District, we may give a preference to the lines in this district after our present programme is completed. As the Financial Secretary has pointed out, any decision we may take at present in regard to the railway cess on any purely theoretical grounds may embarrass us in dealing with other District Boards which are collecting railway cess and are also willing to continue to levy it taking their responsibility and share of the burdens under capital cost and interest charges. I am, therefore, strongly of opinion that the railway cess may continue to be levied as at present but, if necessary, suitable changes in the law should be introduced so as to allow of the railway cess being a sort of continuing guarantee in respect of railway development so that the Government may be able to carry on a continuous policy of development so as to benefit all parts of the State. I am of opinion therefore, that the first part of the resolution need not be given effect to but the railway cess may continue to be levied in the Tumkur and Chitaldrug Districts for a period of three years more by which time we may be in a position to declare whether it would be possible to start any new lines in these districts, and by that time other District Boards also may have one uniform policy and may not come up for abolition as some of them are now sure to do.

above has to be made quite clear by a Government resolution declaring their policy in clear terms and amending suitably the existing provisions of the Local Boards Regulation relating to the Railway Cess.

Bangalore,
20th Decr. 1925.

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.

Policy of Government in regard to District Board Railways and the levy of Railway Cess.

e 2494
62

31. All urgent or confidential files returned with His Highness orders may, in the absence of instructions or indications to the contrary, be ordinarily circulated to the Members of Council for perusal after the issue of orders.

33. The Secretaries concerned should see that orders in the cases referred to above are issued at once and hat the files are returned immediately after to the Chief Secretary for circulation to the Members.

34. In all other cases, the files will first be circlated to the Members of Council at headquaters and then sent to the Secretariat coneerned for the issue of orders

Serial No.	
	93 Death Sales as per accounts order dated 21/12/26.
	Ch Secy) 25 7 Nov.
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9.2

Urgent Subject.

Draft Order on the policy of Government in regard to District Board Railways and the levy of Railway Cess.

OPINION OF THE COUNCIL.

I am sorry I am still unable to follow clearly the argument in the draft
the draft in any case, much
is too long. Some changes are
needed re Radio-Railway, which
has since taken a further
step & the draft Dis Board
will as passed & amendment
yet proposed

copy of the G.O. resolution may be printed for ref. I think the question of amending this resolution was raised in the Legislative Assembly by Mr. Rangaswami Iyengar and Mr. Sim said that either the matter was under consideration or it did not require reconsideration. The Volume of Debates of the Assembly containing this discussion may be printed.

Secy
24/2/26

possibility of permitting a District Board to construct a line of railway from its own funds They have however made it clear that in the absence of special circumstances they would not encourage a Loc Board to build a branch or feeder line (Vide para 1 of the Resolution) As pointed out in para 6 of the draft, none of our District Boards is in a position to find the capital required for the construction of a line and any loan raised by a Board requires the guarantee of Government to make it a successful floatation So far only one Company has partially financed the construction of a branch line and the probability of Companies coming forward to build oth lines is extremely remote For administrative reasons and also on the ground of economical management all railways in the State whether constructed at the expense of Companies or of District Boards have to be worked by Government. As pointed out in the Govt. of India Resolution multiplicity of proprietor interests is a very embarrassing factor and from al points of view it is best to lay down as a general rule that no Company or District Board will hereafte be permitted to have proprietory rights in railway

a part of the capital outlay on a line of railway and yet not allow it any proprietory interest in respect of such part. It is true that such an arrangement has recently been adopted in regard to the Kadur-Chikmagalur railway: but I think it is a very exceptional arrangement which it is undesirable to adopt in other cases. When no ownership is permitted the whole capital should be found by Government and all that a District Board can ~~reasonably~~ be called upon to bear from its railway cess collections is the whole or a part of the loss involved in working a line constructed at its request. I think it is desirable to make this point clear and omit all reference to the arrangement of requiring District Boards bearing any part of the capital cost of new lines

Whatever the conditions in British India, I think that it is reasonable to assume that in Mysore, both the District Boards and Government are equally interested in local lines the construction of which is urged by the Boards, and that accordingly both should share the loss, if any, in working them. It would be/fair arrangement on the whole to require the two parties to bear the loss equally. Objection has been raised in British India to the condition imposed in the recent Resolution of the Government of India to the effect that in the case of unremunerative the total loss should be borne by the Local Bodies. (Vide page 1568 of the Legislative Assembly debates of 1925). When a railway line runs through more th one District, the arrangement may be adopted, of re quiring all the District Boards concerned to bear

moiety of the loss, in proportion to their interest i
the line, measured with reference to the mileage in
their jurisdiction or with reference to some other
factor which may be more reasonable in the circumstan-
ces of the case The loss to be divided should inclu
in its calculation the interest payable on capital ex-
penditure. Under this arrangement the burden to be
borne by the District Boards will be reduced and the
railway cess collections will go farther than otherwi
in adding to railway mileage This proposal, of cours
makes the general revenues of the State liable to bea
a moiety of the loss on the lines which are not expec
ed to be fully remunerative but as stated above
think that it is only fair that Government should als
contribute a part of the cost required for extending
railway transport facilities, in general, in the So
If an arrangement on these lines is adopted it will
make it possible to undertake the construction of lin
the prospects of the starting of which are now remote

There is one more connected point to which I m
refer. To make Government the exclusive owner of all
railways and also to require them to bear half the lo
on working, will encourage applications for undertaki
the construction of more lines and necessitate the
vision of capital for building them. How Govt. sh
and of revenue for meeting loss
find the funds required for this purpose is part
larger problem of the ways and means to be devised
the provision of ~~capital~~ finance required for develo
ment works which are not fully remunerative, and
question may be separately considered.

A draft + book if for consideration
It may be noted with such suggestions
& remarks as the Members may deem
fit for the Dewan for further
consideration in Council. if necessary.

2nd Member

6/5/48

This file is being knocked about without Progress

1/ Mr Suigasan will please take action today to propose the required amendments to the Dist Board Regn to enable a Dist Board to use the Cess for Guaranteeing loss on lines in the Dist constructed by Govt a Comp^y in consultn with Secn & take all steps necessy to have this included in R.A. agenda of L Secn. This is a Govt Regn, a Provincy being involved; the proposed amend to also be approved by L Secn if amendment necessy.

2- I have noted below the points wh Secn to require further decision in Council, if Board approves; & Chief Secn may thereafter obtain orders.

Points for consideration are

(1) Whether the District Board Regulation requires amendment to enable a District Board to use the Railway Cess for guaranteeing loss on lines in the District constructed by Government or a Company,

(2) Whether Government can continue to lev the Cess intended for a specific purpose after the District Board express their unwillingness to continue it on the ground that the prospect of the purpose is too remote.

With regard to (1) it is submitted that clause 68 of the District Board Bill provide for guaranteeing the payment of interest on capital expended on any railway etc.

The expression "guaranteeing"payment of interest on Capital" in this clause, means th in case the net earnings of the working of th Railway is not enough to pay the Government interest on capital, or in case the working expenditure exceeds the earning, the Distric Board must in the one case make good the amount required for paying the interest and in the other case the loss as well as the interest. The use of the word "guarantee" presupposes that the Government expects to be reimbursed the interest out of the profits and in case the is not enough profit or there is loss, the District Board has to make good the differe as well as the loss.

is therefore submitted that clause

With regard (2) under Section 24 of the Local Boards Regulation two conditions are essential to the levy of railway cess viz (a) the resolution of the Board (b) sanction of Government. Both the conditions must be satisfied before the Cess is levied. Mere resolution of the Board without the sanction of Government or ~~xixhx~~ mere order of Government without the resolution of the Board will not authorise the levy.

The cancellation of the Cess is not provided for in the Local Boards Regulation. Bu under Section 21 of the General Clauses Act, the order of the levy may be cancelled but "in like manner" and "with the like sanctic These words imply that a mere resolution of the District Board without the sanction of Government or the order of the Government w out a resolution of the Board will not auth rise the cancellation of the Csss Both th resolutions of the Board and the sanction o Government are necessary to cancel the levy

The question as to whether the Goverim sanction to a is justified or not in withholding/~~the~~ resc tion of the District Board to cancel the Ce is a matter of policy.

If in the working of the Railways a question actually arises & if this construction is challenged, a suitable amendment may then be ~~brought in~~ proposed to the Regulation

~~to the Bill before the Council and passed to give effect to the amendment~~

Policy of Government in regard to District Board Railways and the question of amending the Local Boards Regulation regarding the Railway Cess.

OPINION OF THE COUNCIL.

Submitted to His Highness

Sir Albion Banerji, in his Submission Note dated 20th December 1925, has reviewed the whole position in regard to the levy of the railway cess and suggested that the railway cess may be utilised as a contribution for general railway purposes for the benefit of the district as a whole, the cess being allowed to accumulate and constitute a fund either for construction of remunerative lines or guaranteeing loss on unremunerative lines which may have to be taken up at the instance of the District Boards as part of a general development policy for the whole State (page 14 of the Submission Note He also suggested, following the policy newly introduced into British India that in future local bodies should not be allowed to have any proprietary rights in railway lines, their he. eing taken so as to reimburse Government from losses in the case of unremunerative lines undertaken at the instance of local bodies. As far as the Tumkur and Chitaldrug Districts were concerned, he proposed that the levy of the railway cess should not be suspended but continued to be levied for a period of three years by which time Government may be expected to be in a position to declare whether it would be possible to undertake any new lines in these districts.

pay the interest on any loan that might have been raised for the construction of the line but also to make up the loss, if any, in working

Whether District Boards should be allowed to pay towards capital cost and the accumulated railway cess may be utilised to provide a part of the capital cost required for the construction of new lines

Whether it is justifiable to ask District Boards to bear the whole amount of the loss when it is proposed to deny them all further proprietary interests in the line,

Whether railway cess should continue to be levied in the Tumkur and Chitaldrug Districts where there is no prospect of railway construction or could legally be continued when the District Boards have voted against the levy.

As regards (1) the District Boards Regulation has been recently amended so as to cover this case and the Local and Legislative Secretary points out that the expression "guaranteeing payment of interest on capital" in clause 68 of the District Board Bill means that, in case any earnings of the working of the railway are not enough to pay the Government the interest on the capital or in case the working costs exceed the earnings the District Board must in the one case make good the amount required for paying the interest and in the other case loss as well as the interest.

The use of the word "guarantee" pre-supposes that the Government expects to reimburse the interest out of the profits and in case there is not enough profit or there is loss, the District Board has to make good the difference as well as the loss He is therefore, of opinion that clause 68 of the District Board Regulation is sufficiently wide to include both cases.

of accumulated railway cess the District Boards save themselves to this extent from providing separately for losses and if the District Board is anxious to have a line which is not remunerative, there can be no objection to their providing a part of the capital cost just as they agree to bear the loss. In the case of the Kadur-Chikmagalur railway, we have agreed to devote the amount contributed by the District Board from the accumulated cess to further railway construction in the District after the line begins to pay and we may give a similar assurance depending upon the circumstances of each case, when the accumulated railway cess is used for railway development. It is not necessary to deal with this point as a general question, but the practice of using the accumulated cess towards the capital cost may be continued as has been done in the case of the Nanjangud-Chamarajnagar line and the Kadur-Chikmagalur line in future, the exact conditions being settled with reference to the merits of each case.

Chikmagalur railway, but I think it is a very exceptional arrangement which it is undesirable to adopt in other cases. When no ownership is permitted, the whole capital should be found by Government and all that a District Board can be called upon to bear from its railway cess collections is the whole or a part of the loss involved in working a line constructed at its request.

Whatever the conditions in British India may be, he thinks that it is reasonable to assume that in Mysore both the District Boards and Government are equally interested in local lines, the construction of which is urged by the Boards and that accordingly both should share the loss, if any, in working them. He suggests that it would be a fair arrangement, on the whole, to require the two parties to bear the loss equally. When a railway line runs through more than one District, the arrangement may be adopted of requiring all the District Boards concerned to bear the moiety of the loss, in proportion to their interest in the line, measured with references to the mileage in their jurisdiction or with reference to some other factor which may be more reasonable in the circumstances of the case. The loss to be divided should include in its calculation the interest payable on capital expenditure. Under this arrangement the burden to be borne by the District Boards will be reduced and the railway cess collections will go farther than otherwise in adding to railway mileages. This proposal makes the general revenues of the State liable to bear a moiety of the loss on the lines which are not expected to be fully remunerative, but he remarks that as stated it is only fair that Government should also contribute a part of the cost required for extending railway transport facilities in general, in the State. If an arrangement

on these lines is adopted, it will make it possible to undertake the construction of lines, the prospects of the starting of which are now remote. He considers that to make Government the exclusive owner of all railways and also to require them to bear half the loss on working, will encourage applications for undertaking the construction of more lines and necessitate the provision of capital for building them and of revenue for meeting losses.

As regards (4), the Local and Legislative Secretary points out that a mere resolution of the District Board for discontinuing the railway cess after it has once been sanctioned by Government, can have no effect unless it is approved by the Government, and the railway cess should be levied unless Government also agree to its cancellation. The resolution of the District Boards of Tumkur and Chitaldrug is, therefore, inoperative unless it is accepted by Government. (para 131 of office notes).

guarantee may be limited to three-fourths of the loss, if any, to be made good on the working expenses and for payment of interest on the capital. I am of opinion that the following principles may be adopted as the general lines of our railway policy in regard to lines guaranteed by Local Bodies:

> As far as possible no proprietary rights will be allowed either for local bodies or for companies on any future railway lines to be carried out in the State.
>
> Railway cess may be utilised not only to guarantee interest on capital provided for the construction of railway lines intended primarily to serve local requirements but also to make up loss, if any, in working expenses. If such a line serves more than one District, suitable arrangements should be made to apportion such liability between the various District Boards concerned on an equitable basis. A part of the loss may be borne by Government and at present the proportion may be fixed at 25 per cent but in exceptional cases this limit may be raised.

and the people of the districts will be informed by that time when new lines will be undertaken in these districts.

The above proposals may be graciously approved. I shall, on the return of Mr. Dove Wilson, submit further detailed proposals regarding future railway development in the State

Mirza M. Ismail

Record of Cases submitted for the Orders of His Highness the Maharaja

Subject.

Policy of Government in regard to the District Board Railways.

31. All urgent or confidential files returned with His Highness' orders may, in the absence of instructions or indications to the contrary, be ordinarily circulated to the Members of Council for perusal after the issue of orders.

33. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned immediately after to the Chief Secretary for circulation to the Members.

34. In all other cases, the files will first be circlated to the Members of Council at headquaters and then sent to the Secretariat coneerned for the issue of orders.

Circulated to Members of Council for perusal of His Hignness' orders before /after issue of orders. (*Vide* Rules 31, 33 and 34 of the Subsidiarv Rules for the conduct of business of Council in the Manual of Council Rules and Procedure.)

By Order,

Chief Secretary to Government.

Through the Secretary to Government,

I have made a few changes to Susan precision as per decisions already arrived at

The rate of interest has to be fixed by 2nd M. I have suggested 6%

Please submit

Dewan & 2nd M.

DE
31/7

2nd Member

Dewan.

DE 31/7

No definite interest rate need be specified in this general order. The rate to be charged will vary according to circs

The Nanjangud-Chamarajnag Ry is entirely owned by Mysore Govt and Govt have no proprietary interest in it -

On the passing sheet of the Council Letter in this file there is a note of the Chief Secy that the file has been submitted to Mr Bradley also for perusal. It is not known if this has been done now, before the draft issues

Orders are also awaited as to whether the draft may issue.

In the Secretariat note portion below there is a direction for the amendment of railway agreements with the Myore Darbar. This has perhaps been communicated separately to the Agents for necessary action

W Bradley) 28 5/8/26

Sect for RD with Compts

Returned with thanks. 28 10/8 26

Asst. 30/8/26

Local Legislative Secy

May the draft issue now

W Bradley) 28 31/8.

RD 8 1-9 28

To, The Presidents of District Boards,
The Deputy Commissioners of Districts
The Agent & Secretary Mysore Railways
The other Heads of Departments

No L 1846-900/d 9. 9. 1926

Lays down the Policy to be adopted in the Construction of Railways in the State.

The file may now be submitted to Dewan ~~Sir~~ the reference in para 11 of the Commission note of 16th July 1926.

Secy)
Rao Saheb (Hagga)
Dewan.

28
4/10
8/10

I shall be obliged if the Railway Engineer will kindly put up a note with a memorandum suggesting a Comprehensive Railway Policy which the State may pursue for the next 15 or 20 years, mentioning the lines that may be taken up in their order of their urgency or importance

Though Government in Notification No. Fl.4932-81/P.F.163-11-1, dated 22nd April 1914 laid down certain rules for showing concessions to the District Boards in the matter of the construction of railways in the State, yet there has been considerable divergence in the terms upon which these lines have been constructed in the various Districts in of the State The question of laying down a definite policy on this subject has been engaging the attention of Government for some time past.

Railway cess was introduced into Mysor in the year 1914 and in order to enable Local bodies to take part in railway develo ment the Local Boards Regulation was suitably amended for that purpose. The law as it now stands under Section 24 (a) of the Local Boards and Village Panchayets Regulation of 1918 lays down that a railway cess not exceeding 6 pies in the rupee on all items of revenue which local cess is collected may be levied by a District Board to be utilised wholly for the construction of railways and tramways.

At present railway cess is levied at 3 pies in the rupee in the Mysore, Shimoga and Tumkur Districts and at 6 pies in the rupee in the Kolar, Kadur and Chitaldrug

Districts, while in the Bangalore and Hassan Districts there is no levy of the cess
In the Kolar District, accumulated railway cess has been utilised for the capital cost of construction ~~and~~ of the open line of the Railway. In the Mysore District the District Board has agreed to the accumulated surplus railway cess being utilised to meet the capital cost of the Nanjangud-Chamarajanagar line ~~accumulated surplus~~ and future collections ~~be~~ being used in paying interest and sinking fund charges. In the Kadur District the Board has agreed to pay the accumulated surplus of the railway cess to the Government who have undertaken to construct the Kadur-Chikmagalur line and continue to levy the cess and make it over to Government to meet the losses in working ~~in~~ a period of 25 years. In the Shimoga District proposals for utilising the cess ~~for completin~~ ward the extension of the railway from Shimoga to the heart of the Malnad are under consideratic
In those ~~four~~ five Districts there i
some definite connection between the railway cess and railway development.

object of contributing towards the local Boards share of construction and also of capital cost on open line it is proposed to be utilised for sinking fund and interest charges on the ~~lines run~~ loans raised by the Boards for meeting their part of cost of construction. It has no where been used for guaranteeing the total income of the railway equivalent to the interest on the whole capital cost of involved and the working charges It may also be noted that the cess has not been earmarked for the construction of any particular line but has been levied for railway development in the general in the Districts. Further in many cases it is continued to be levied even where there is no prospect of any line being constructed. The rate is also not uniform and in some Districts it is found that even the maximum of 6 pies in the rupee now levied is not ~~suffice~~ sufficient to give a guarante for the purpose required.

to make up the difference between net earnings and interest and other charges payable. The question as to how far the policy enunciated by the Government of India may be adopted to the conditions prevailing in Mysore requires consideration.

The Government of India have in their resolution made it clear that in the absence of special circumstances they would not --- encourage a local Board from its resources to build a branch or feeder line. None of the District Boards in the State are in a position to find the entire capital required for the construction of a railway line and any loan proposed to be raised by the Board requires the guarantee by Government to make it a successful flotation for administrative reasons and also on the ground of economical management railways in the State whether constructed at the expense of companies or District Boards have to be worked by Government. As pointed out in Govt. of India resolution, multiplicity of proprietary interest is an embarassing factor and from all points of view it appears to be best to lay down as a general rule that ~~as far as possible~~ no proprietory rights will be allowed either for local bodies or for companies in ~~of~~ any ~~few~~ new railway lines to be constructed in the State.

expected to be remunerative on its
but the construction of which is ur
local reasons it is reasonable to
Government to undertake its constru
reimburse the loss involved in the
of the line It is indeed true tha
British India the Local Boards conc
to reimburse Government the entire
working the railway but ~~it is reas~~
as
~~assume that in Mysore~~ the Distric
Mysore are poorer in ~~but~~ financial resources
~~and Government are equally interes~~

remunerative but it is only fair that Govt. should also contribute a part of the cost required for extending railway transport facilities in general in the State. This arrangement will also make it possible to undertake the construction of lines the prospects of the starting of which are now remote. The undertaking by Government to ~~bear the whole cost of~~ Supply the Capital for construction and also 25% of the loss in working will encourage applications for undertaking construction of more ~~kkkx~~ lines and ~~insist~~ necessitate the provision of capital for building them and revenue for meeting losses

The accumulated railway cess may be utilised to provide a part of the capital required for the construction of new lines and the disposal of the amount after the lines begin to pay, will be settled according to the merits of each case preferably in further railway extensions in the District In view of the policy laid down above Govt consider that the railway cess may be continued to be levied with the consent of the District Boards even though there may be no immediate prospects of any lines being constructed.

Govt. have under consideration. the question of drawing up a programme for future railway construction after careful survey of local requirements in order to provide all necessary links so as to make the State Railways subserve the utmost public convenience and increase the revenue earnings from the system as a whole and give special preference

to lines in local areas which have derived no direct benefit from the existing policy of railway development though the pople of which have been taxing themselves for railway purposes. Pending issue of orders on this point railway cess will continue to be levied in the Chitaldrug and Tumkur Districts for a periodof 2 years more and the people of these Districts will be informed by that time when new lines will be undertaken in these Districts.

Government of His Highness the Maharaja of Mysore

GENERAL AND REVENUE DEPARTMENTS

G. O. No. L. 1844-900—L B. 63-26-1 dated 9th September 1926.

Construction of Railways in the State.

Lays down the policy to be adopted in the ——.

ORDER NO. L. 1844-900—L. B 63-26-1, DATED 9TH SEPTEMBER 1926

Though Government in Notification No. T1 4932-81—G. F. 163-11-1, dated 22nd April 1914, laid down certain rules for showing concessions to the District Boards in the matter of the construction of railways in the State, yet there has been considerable divergence in the terms upon which these lines have been constructed in the various Districts of the State. The question of laying down a definite policy on this subject has been engaging the attention of Government for some time past.

Railway cess was introduced into Mysore in the year 1914 and in order to enable Local Bodies to take part in railway development the Local Boards Regulation was suitably amended for that purpose. The law as it now stands under Section 24 (a) of the Local Boards and Village Panchayets Regulation of 1918, lays down that a railway cess not exceeding six pies in the rupee on all items of revenue on which local cess is collected may be levied by a District Board to be utilised wholly for the construction of railways and tramways.

At present railway cess is levied at three pies in the rupee in the Mysore, Shimoga and Tumkur Districts and at six pies in the rupee in the Kolar, Kadur and Chitaldrug Districts, while in the Bangalore and Hassan Districts there is no levy of the cess. In the Kolar District, accumulated railway cess has been utilised for the capital cost and for the open line of the railway. In the Mysore District, the District Board has agreed to the accumulated surplus of the railway cess being utilised to meet the capital cost of the Nanjangud-Chamrajnagar line and to the future collections being used in paying interest and sinking fund charges. In the Kadur District the Board has agreed to pay the accumulated surplus of the railway cess to the Government who have undertaken to construct the Kadur-Chikmagalur line and has also agreed to continue to levy the cess and make it over to Government to meet the losses in working for a period of twenty-five years. In the Shimoga District proposals for utilising the cess towards the extension of the railway from Shimoga to the heart of the Malnad are under consideration. The Bangalore District Board is being asked whether it would agree to levy at once a cess of three pies in the rupee for guaranteeing about 60 per cent of the loss on capital outlay on a light-railway between Bangalore and Hosur to be constructed and owned by Government. In those five Districts there is some definite connection between the railway cess and railway development.

In the Chitaldrug and Tumkur Districts, however, though a railway cess is being levied, to is not utilised for the purpose of any railway line actually working or under construction and owing to the unremunerative character of the new lines proposed in these Districts there is no immediate prospect of any such lines being undertaken. In the Mysore District, the District Board will own the Railway under the terms of agreement between Government and the Board. In the Kolar District, Government and the District Board are joint owners of the railway line constructed partly with the help of the cess. In Kadur, Shimoga and Bangalore Districts, Government will be the sole owners of the proposed lines.

This change [illegible] in accordance with the Government of India resolution No. 213-F., [illegible] having separate [illegible] and [illegible] by [illegible] Board. Now extensions are treated as [illegible] taken only in case [illegible] required to be [illegible] particular area. [illegible] loss by consenting [illegible] other charges payable.

The G[illegible] line and [illegible] Government to [illegible] the [illegible] of econo[illegible] at the [illegible] of [illegible] As pointed out in G[illegible] is an embarrassing [illegible] down as a general rule that [illegible] local bodies or for company [illegible].

If a District Board [illegible] its earnings but the [illegible] expect Government [illegible] involved in the working of [illegible] Board concerned [illegible] but as the District B[illegible] Boards in British India and as G[illegible] opening [illegible] loss in working such lines should be borne by Government. Having regard to all the circumstances, Government consider that the District Board concerned should bear not less than 40 per cent and not more than 75 per cent of the loss. As observed above, the loss that the Bangalore District Board is being invited to bear is about 60 per cent. The Board concerned will be called on to levy a cess to cover the loss, and the cess will be liable to proportionate reduction from time to time with the sanction of Government, but not more frequently than once in five years, as the earnings of the line improve. The maximum period for which the cess is leviable will be settled in each case and will not exceed twenty-five years. The loss that is thus apportioned will include the interest payable on capital expenditure, depreciation and loss in working. For purposes of calculation the rate of interest will be fixed by the Government from time to time. When the railway runs through more than one District the District Boards concerned should bear the loss in proportion to the mileage in their jurisdiction or with reference to some other factor which Government may consider to be reasonable in the circumstances of the case. Under this arrangement, the burden to be borne by the District Board will be reduced and if the railway cess that the Board imposes is in excess of these requirements the balance may accumulate towards further extension of railway mileage. This proposal, no doubt, makes the general revenues of the State bear a portion of the loss of the lines which are not expected to be fully remunerative but it is only fair that Government should also contribute a part of the cost required for extending railway transport facilities in general in the State. This arrangement will also make it possible to undertake the construction of lines, the prospects of the starting of which are now remote. The undertaking by Government to supply the capital for construction and also bear not less than 25 per cent and not more than 40 per cent of the loss in working will encourage applications for undertaking construction of more lines.

The accumulated railway cess of District Boards may be utilised to provide a part of the capital required for the construction of new lines and the disposal of the amount after the lines begin to pay will be settled according to the merits of each case preferably in further railway extensions in the District.

No. L. 1844-900—L. B. 63-26-1, DATED 9TH SEPTEMBER 1926.

In view of the policy laid down above, Government consider that the railway cess may be continued to be levied with the consent of the District Boards even though there may be no immediate prospects of any lines being constructed.

Government have under consideration the question of drawing up a programme for future railway construction after a careful survey of local requirements in order to provide all necessary links so as to make the State Railways subserve that atmost public convenience and increase the revenue earnings from the system as a whole and give special preference to lines in local areas which have derived no direct benefit from the existing policy of railway development though the people of which have been taxing themselves for railway purposes. Pending issue of orders on this point, railway cess will continue to be levied in the Chitaldrug and Tumkur Districts for a period of two years more and the people of these Districts will be informed by that time when new lines will be undertaken in these Districts.

B. NAGAPPA,
Secretary to Government,
Local and Legislative Departments.